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TAGS: [ECON](#) [ENRG](#) [EPRT](#) [IT](#)  
SUBJECT: SCENESETTER FOR ACTING DEPUTY SECRETARY OF ENERGY  
KUPFER'S TRAVEL TO ROME, ITALY, APRIL 21-23, 2008

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[1](#)B. 07 ROME 2438

Classified By: EcMin Thomas Delare for reasons 1.4 (b) and (d)

Political Backdrop  
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[1](#)1. (C/NF) Your trip to Rome for the International Energy Forum (IEF) will occur immediately after Italy's April 13-14 parliamentary elections. While you are here, Italian parliamentarians will be in the beginning of the government formation process. Romano Prodi's center-left coalition government collapsed in January after two years of unstable government. Prodi will remain caretaker Prime Minister until mid-May when a new government can be sworn in. As caretaker PM, Prodi and his ministers (including Economic Development Minister Bersani, responsible for energy issues) can continue to carry out day-to-day business but cannot change government policy. Polls indicate that conservative former PM Silvio Berlusconi's People of Liberty coalition (PdL) leads Walter Veltroni's Democratic Party (PD) by an average of five to eight percentage points. Though Berlusconi's lead may have narrowed in recent weeks, virtually all pollsters and political analysts predict Berlusconi will win the national electoral vote. However, complicated rules for distributing Senate seats mean the outcome in the Senate is uncertain. In the event that the two parties split the parliaments, a "unity" government or other options are possible. An emerging foreign policy consensus and a future government without the far left mean any of the likely electoral outcomes should bring improved U.S. foreign policy cooperation with Italy and an improved tone in our bilateral relationship.

Italian Energy and Energy Security Policy  
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[1](#)2. (U) Since 2005, the GOI has sought to increase the use of natural gas to meet Italy's winter heating needs. This policy was driven by the desire to minimize exposure to high oil prices and to lower Italian carbon dioxide emissions in order to comply with Italy's Kyoto Protocol obligations. According to Eni, the Italian oil and gas parastatal 30% owned by the Italian government, Italy was the world's seventh-largest consumer of natural gas in 2005. In 2005, Italy consumed 84.27 bcm of natural gas. Of this, 23.33 bcm (27%) came from Russia. The use of natural gas for power generation has also increased. In 2005, of 303,699 GWh of electricity generated by Italian power plants, 149,262 GWh (49%) was generated using natural gas. Italy's remaining electricity was generated using coal (49,419 GWh, 16% of

total), oil (47,124 GWh, 16%), and hydro (42,927 GWh, 14%), with the remaining 5% coming from waste, biomass, geothermal, wind, and other sources.

¶3. (U) Italian energy security policy has two goals: (i) increasing Italian access to existing natural gas sources by constructing new natural gas pipelines, and (ii) encouraging the formation of a common EU energy policy.

¶4. (U) After natural gas shortages in January 2006, caused by Gazprom's decision to cut off gas exports via pipelines transiting Ukraine, the GOI has supported construction of pipelines linking Italy to natural gas fields in Russia, Algeria, and the Caspian Basin. Ministry of Foreign Affairs officials have said the GOI will support "any project that will bring natural gas to Italy." Most recently, GOI efforts helped ensure EU approval of the Turkey-Greece-Italy (TGI) pipeline, which will connect Italian gas consumers to natural gas fields in Azerbaijan. Similarly, the GOI supports the South Stream pipeline, proposed by Gazprom and Eni, which will connect Russia directly to Bulgaria and European markets via a pipeline running under the Black Sea. Ref A reports on the Eni-Gazprom relationship and its implications for Italian energy security. While the GOI has offered rhetorical support for the construction of LNG re-gasification facilities, it has not intervened forcefully to help gas companies, including ExxonMobil and British Gas, overcome opposition at the regional and city/town levels.

¶5. (U) The GOI supports formulation of an EU energy policy as a means to encourage energy diversification and improve the competitiveness of the EU's internal energy market. Italy sees a unified EU position on energy as a balance to the "negotiating weight" of Gazprom and other energy suppliers. Gazprom supplies more than a quarter of the EU's

natural gas supplies. Discussions of an EU energy policy have begun in Brussels, but have not made much progress. Among the issues that the incoming Italian government will have to grapple with is the role of nuclear power. A 1988 referendum had the practical effect of banning nuclear power generation in Italy. Opponents of nuclear energy argue that the question of nuclear waste disposal must be addressed before nuclear energy production in Italy resumes.

Possible Meeting With Economic Development Minister Bersani  
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¶6. (U) Minister of Economic Development Bersani is the GOI minister responsible for energy issues. Because Bersani is the IEF host and a G8 Energy Minister, you may meet with him on the margins of the IEF. If a meeting takes place, bear in mind that because Bersani came into office under the Prodi government, he may be a caretaker minister at the time of the IEF.

¶7. (U) Energy Secretary Bodman met with Bersani during Bodman's November 2007 trip to Rome for the World Energy Congress (WEC). During their meeting, Bersani signed the Global Nuclear Energy Partnership (GNEP) Statement of Principles. Bersani and Bodman also signed an agreement on bilateral cooperation in energy research and development. (Ref B) If you have a bilateral meeting with Bersani, you should ask what he thinks the energy priorities of the incoming government will be. Bersani may also have some interesting thoughts on the likelihood of the return of nuclear power generation to Italy and on what Italy and the EU can do to improve the energy security of Eastern European EU member states.

¶8. (U) You should also be aware that Ambassador Spogli has made energy security one of the top priorities of this Embassy. We are working now to intensify our dialogue with the Italian government on a broad range of energy issues, including energy diversification, EU market reform, and increased use of renewable energy sources. It would be very helpful to us if you could focus your public comments to the press on the urgent need for Italy and the EU to diversify

their energy supply and take other steps to enhance their  
energy security.  
SPOGLI